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ACTION PH-0

INFO LOG-00 ADS-00 INR-05 AF-01 CIAE-00 EB-01 DODE-00
NEA-00 NSCE-00 ARA-01 NSAE-00 COME-00 CTME-00 TRSE-00
CIP-00 CMB-01 STR-13 INRE-00 ANAE-00 TST-02 USIE-00
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DEPARTMENT OF STATE A/CDC/AR

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 7650

INFO AMEMBASSY PRETORIA

AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 01 OF 02 SANTIAGO 06517

E.O. 12356: DECL: OADR

TAGS: MASS, CI, PIMR

SUBJECT: FARMS MERCHANT CARDOEN CUTTING LINKS

REF: (A) SANTIAGO 5879, (B) SANTIAGO 5905, (C) DOWNGRADE TS to () S or () C, OADR

SANTIAGO 4481

1. (C) SUMMARY: THE LOCAL PRESS HAS PICKED UP ON CHILEAN ARMS MERCHANT CARLOS CARDOEN'S ATTEMPTS TO END HIS BUSINESS LINKS WITH IRAQ. FOLLOWING HIS MEETING WITH AMBASSADOR GILLESPIE (REF A), CARDOEN MET WITH FOREIGN MINISTER SILVA CIMVA ON CHILEAN REGULATIONS CONCERNING ARMS EXPORTS AND, IN A SUBSEQUENT PRESS RELEASE, CLAIMED THAT CARDOEN INDUSTRIES (INCAR) HAD NOT SOLD CLUSTER BOMBS TO IRAQ SINCE THE CEASE FIRE AND THAT HE WOULD SUPPORT AND COMPLY WITH CHILE'S DECISION TO BACK UN SANCTIONS AGAINST IRAQ (REF B).

REVIEWED by M. J. Hoffman DATE 6/24/91
() RELEASE () DECLASSIFY
() EXEMPT () DECLASSIFY in PART
() Non-responsive info.
FOI, EO or PA exemptions (b)(1)(2)(5)
TS authority to:

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EDITION OF THE SANTIAGO WEEKLY "QUE PASA," CARDOEN HAS DECIDED TO CUT ALL OF HIS TIES WITH IRAQ IN ORDER TO PROTECT HIS OTHER INVESTMENTS AND SHORE UP HIS DETERIORATING PUBLIC IMAGE. THE STORY ALLEGES THAT CARDOEN IS FORSAKING (AT LEAST FOR NOW) HIS INVESTMENT IN A METAL WORKS/MUNITIONS FACTORY BUILT IN 1983 ON THE OUTSKIRTS OF BAGHDAD, AS WELL AS A SECOND FACTORY (FOR CIVILIAN PROJECTS) WHICH HAS TO BE OPERATIONAL SOMETIME IN LATE 1990. THE STORY ESTIMATES THAT LOSSES FROM INCAR'S IRAQI OPERATIONS WILL RANGE FROM US DOLS 50-80 MILLION. IN COMMENTS TO THE PRESS, CARDOEN SPOKESMAN ROBERTO MONTECINOS HAS REFUSED TO VALUE CARDOEN'S IRAQI INVESTMENT BUT STATED THAT THE FACTORIES ARE IRAQI PROPERTY AND INCAR HAD PROVIDED A NUMBER OF CHILEAN EXPERTS UNDER A CONTRACT TO STAFF THE OPERATION.

4. (U) TWENTY FOUR OF THE 31 CHILEAN "EXPERTS" IN IRAQ WERE FINALLY ALLOWED TO LEAVE, VIA JORDAN, ON AUGUST 11.

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ACCORDING TO THE "QUE PASA" STORY, THE REMAINING SEVEN TECHNICIANS WERE PREVENTED FROM LEAVING BECAUSE THEY DO NOT HOLD CHILEAN PASSPORTS. CHILEAN AMBASSADOR IN JORDAN, NELSON HADDAD, CONTINUES TO WORK DIPLOMATIC CHANNELS IN HIS EFFORTS TO SECURE THEIR DEPARTURE WHILE BACK IN SANTIAGO FOREIGN MINISTER SILVA CIMMA REQUESTED HELP FROM VISITING SECRETARY GENERAL PEREZ DE CUELLAR ON AUGUST 20. PRIOR TO THE DEPARTURE OF THE TWENTY FOUR CHILEANS, CARDOEN VISITED FOREIGN MINISTER SILVA CIMMA TO UPDATE HIM ON CHILEANS WORKING AT HIS IRAQI OPERATIONS AND OSTENSIBLY TO BRIEF SILVA CIMMA ON CURRENT CONTACTS WITH IRAQ AND HIS COMPLIANCE WITH CHILE-UNITED NATIONS SANCTIONS. IN HIS RECENT COMMENTS TO THE PRESS, CARDOEN HAS SOUGHT TO DOWNPLAY HIS REMAINING TIES WITH IRAQ. ON AUGUST 7, HE PUBLICLY CLAIMED THAT INCAR STOPPED SUPPLYING CLUSTER BOMBS TO IRAQ WHEN THE IRAN-IRAQ CEASE FIRE WENT INTO EFFECT. HE ALSO STATED HIS INTENTION TO COOPERATE IN THE TRADE EMBARGO AGAINST IRAQ.

5. (U) THE "QUE PASA" STORY HINTS AT THE PROBLEMS CARDOEN WILL HAVE IN DROPPING HIS MOST LUCRATIVE CUSTOMER. ALREADY SOME 220 WORKERS HAVE BEEN LAID OFF AT INCAR'S MACULI PLANT AND RUMORS ABOUND THAT WORK AT FACTORIES IN SANTIAGO AND IQUIQUE WILL ALSO BE SCALED DOWN SUBSTANTIALLY. ADDING TO HIS PROBLEMS WITH IRAQ IS THE OVERALL SOFTNESS IN THE THIRD WORLD ARMS MARKET WHICH CALLS INTO QUESTION THE VIABILITY OF HIS OTHER DEFENSE PROJECTS; HE RECENTLY ACQUIRED THE ITALIAN MINI-SUBMARINE MANUFACTURER COSMOS, HAD PLANS TO BUILD AND SELL ENGLISH TIGERFISH M24 TORPEDOS IN A LICENSING DEAL WITH UK FIRM MARCONI UNDERWATER SYSTEMS, AND HAS INVESTED US \$306 FOUR MILLION IN A BELL HELICOPTER PROJECT (REF C).

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6. (U) IF CARDOEN'S DIVERSIFICATION PROJECT SHIFTED
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OMB-01

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INRE-00

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INFO AMEMBASSY PRETORIA

AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 02 OF 02 SANTIAGO 06517

E.O. 12356: DECL: OADR

TAGS: MASS, CI, PINR

SUBJECT: ARMS MERCHANT CARDOEN CUTTING LINKS TO IRAQ?
 INTO HIGH GEAR WITH THE IRAN-IRAQ CEASE FIRE (IN A
 MID-MARCH INTERVIEW CARDOEN SAID HIS DEFENSE INVESTMENTS
 WERE ONLY 10 PERCENT OF HIS BUSINESS), IT MAY HAVE
 ENTERED THE FINAL STRETCH WITH IRAQ'S INVASION OF
 KUWAIT. IN APRIL OF THIS YEAR, CARDOEN HIRED ISMAEL
 VICUNA, A WELL RESPECTED LOCAL BUSINESSMAN CLOSELY LINKED
 TO CHILEAN INDUSTRIALIST ANCLETO ANGELINI, TO SHIFT ARMS
 PRODUCTION FACILITIES TO MINING AND OTHER INDUSTRIAL
 APPLICATIONS. "QUE PASA'S" LIST OF CARDOEN'S PORTFOLIO
 OF NON-DEFENSE RELATED INVESTMENTS INCLUDE: A US DOL
 11.7 MILLION INVESTMENT IN CHILEAN BANCO DEL PACIFICO, A
 US DOL 17.2 MILLION INVESTMENT IN 68 PERCENT OF A
 CHILEAN MATCH COMPANY, A US DOL 4 MILLION INVESTMENT IN A
 FACTORY FOR BLUE JEANS FOR EXPORT TO THE SOVIET UNION AND
 CENTRAL EUROPE, ADDITIONAL INVESTMENT IN AGRICULTURAL
 (MOSTLY FRUIT) PROJECTS, INVESTMENT IN A NUMBER OF MINING
 RELATED FIRMS IN CHILE, A LOCAL HOTEL AND CAR RENTAL
 AGENCY, A US DOL 250 MILLION INVESTMENT IN A FLORIDA REAL

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ESTATE FIRM, AND A PROJECT TO BUILD THREE TOURIST HOTELS
 IN CUBA. ACCORDING TO LOCAL PRESS REPORTS, CARDOEN'S
 MINING SUBSIDIARY, MINERA CARDOEN, IS ALSO PLANNING TO
 INVEST US DOLS 50 MILLION IN A JOINT VENTURE WITH
 OUTOKUMPO OY OF FINLAND TO DEVELOP THE AMULANAS COPPER
 DEPOSIT IN THE THIRD REGION.

7.

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